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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 1, 2002

COMMONWEALTH OF VIRGINIA, ex rel.

TERESA WHITMORE, et al.

CASE NO. PUE-2001-00363

v.

VALLEY RIDGE WATER COMPANY, INC.

FINAL ORDER

By letter dated May 12, 2001, pursuant to the Small Water or Sewer Public Utility Act, §§ 56-265.13:1 et seq. of the Code of Virginia, Valley Ridge Water Company, Inc. ("Valley Ridge" or the "Company"), notified its customers and the State Corporation Commission ("Commission") of its intent to increase its rates effective for service rendered on and after July 1, 2001. The Company's monthly rates were proposed to be increased as follows:

	<u>Current</u>	<u>Proposed</u>
Unmetered Customers	\$22.00	\$33.00
Commercial or Metered Customers		
0-2,000 gallons	\$19.00	\$23.00
over 2,000 gallons	\$3.50	\$4.20

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per 1,000 gallons per 1,000 gallons

By June 27, 2001, the Commission Staff had received objections to the proposed rate increase from 68 customers, or approximately forty percent (40%) of Valley Ridge's customers. In its Preliminary Order entered on July 3, 2001, pursuant to § 56-265.13:6 of the Code of Virginia, the Commission declared the Company's proposed increased rates interim and subject to refund, with interest. The Commission further directed Valley Ridge to file certain financial information on or before August 2, 2001. The Company filed its financial information on August 3, 2001. On August 27, 2001, the Commission issued an Order for Notice and Hearing in which it directed Valley Ridge to publish notice, established a procedural schedule, and assigned the matter to a Hearing Examiner.

Pursuant to the Order for Notice and Hearing, no person participated in the case as a Respondent, and no person filed comments on Valley Ridge's proposed rate increase.

On December 20, 2001, the Staff filed the direct testimony of Ashley W. Armistead, of the Commission's Division of Public Utility Accounting, and Marc A. Tufaro, of the Commission's Division of Energy Regulation. The Staff generally found that the proposed rate increase was reasonable but also made several recommendations. Staff witness Armistead examined the Company's

books and records, and prepared adjusted financial statements for the twelve months ended August 31, 2001.

The evidentiary hearing was convened as scheduled on January 23, 2002, with Edward K. Stein, Esquire, representing Valley Ridge, and Rebecca W. Hartz, Esquire, of the Commission's Office of General Counsel, representing the Staff. At the hearing, counsel for Valley Ridge stated that the Company had accepted all of Staff's recommendations and, accordingly, the Company's financial exhibits and Staff's testimony and exhibits were entered into the record without cross-examination. No public witnesses appeared at the evidentiary hearing.

The Hearing Examiner issued his Report on February 20, 2002, finding the Company's proposed rates and Staff's recommendations to be just and reasonable. In his report, the Hearing Examiner noted that there was evidence of E.C. Dressler's, the owner and operator of Valley Ridge, commitment to make capital improvements for Valley Ridge, in the depreciation and amortization schedule attached to Staff witness Armistead's testimony. The Hearing Examiner recommended that the proposed increase in rates and Staff's recommendations be adopted. The Hearing Examiner found based on the evidence received in this case that:

(1) The use of a test year ending August 31, 2001, is proper in this proceeding;

(2) Valley Ridge's test year operating revenues, after all adjustments, were \$56,310;

(3) Valley Ridge's test year operating revenue deductions, after all adjustments, were \$74,112;

(4) Valley Ridge's test year operating loss, after all adjustments was \$17,802;

(5) Valley Ridge's current rates produce a return on adjusted rate base of -16.38%;

(6) Valley Ridge's adjusted test year rate base is \$108,694;

(7) Valley Ridge requires \$81,262 in gross annual revenues to earn a return on rate base of 5.16%;

(8) Valley Ridge's proposed rates produce additional gross annual revenues of \$24,952 and total gross annual revenues of \$81,262;

(9) Valley Ridge should be required to maintain a set of books in accordance with the Uniform System of Accounts for Class C Water utilities;

(10) Valley Ridge should apply a 3% composite rate to all depreciable plant balances and to contributions in aid of construction;

(11) Valley Ridge should maintain all invoices pertaining to both expenses and capital disbursements;

(12) Valley Ridge should maintain property records on capitalized plant items;

(13) Valley Ridge should maintain logs of Mr. Dressler's time detailing services provided and mileage for use of the Company truck;

(14) Valley Ridge should restate plant, accumulated depreciation, CIAC, and accumulated amortization of CIAC as of August 31, 2001, to levels determined by witness Armistead;

(15) Staff should continue to monitor the efforts of Valley Ridge to comply with the requirements of the Virginia Department of Heath Office of Water Programs; and

(16) Valley Ridge should inform customers of major capital improvements.

In accordance with his findings, the Hearing Examiner recommended that the Commission enter an order that adopts the findings in his Report; grant and makes permanent the rates requested by Valley Ridge; and dismisses the case from the Commission's docket of active cases and passes the papers herein to the file for ended causes. Comments to the Hearing Examiner's Report were to be filed with the Clerk of the Commission within twenty-one (21) days of entry or on or before March 13, 2002. No comments were filed.

NOW THE COMMISSION, upon consideration of the foregoing, is of the opinion and finds that that the recommendations and

findings of the Hearing Examiner should be adopted and that this case should be dismissed.

Accordingly, IT IS ORDERED THAT:

(1) The recommendations in the February 20, 2002, Report of Alex F. Skirpan, Jr., Hearing Examiner, are adopted in full.

(2) This matter is dismissed and, there being nothing further to come before the Commission, the papers herein are passed to the file for ended causes.